

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 1532 - SB 1687

February 3, 2018

SUMMARY OF BILL: Incrementally phases-out the percentage of local option sales tax collections retained by the Department of Revenue (DOR) to cover the expenses of administration and collections. Beginning on July 1, 2018, the percentage is reduced from 1.125 percent to 0.75 percent. Beginning on July 1, 2019, the percentage is reduced from 0.75 percent to 0.375 percent. Beginning on July 1, 2020, the percentage is reduced from 0.375 percent to 0.0 percent.

ESTIMATED FISCAL IMPACT:

Decrease State Revenue – \$10,173,600/FY18-19/Department of Revenue
\$21,049,300/FY19-20/Department of Revenue
\$32,663,200/FY20-21/Department of Revenue
Exceeds \$32,663,200/FY21-22 and Subsequent Years/
Department of Revenue

Increase Local Revenue – \$10,173,600/FY18-19
\$21,049,300/FY19-20
\$32,663,200/FY20-21
Exceeds \$32,663,200/FY21-22 and Subsequent Years

Assumptions:

- According to the DOR, local option sales tax collections totaled \$2,523,570,648 in FY16-17. Of this amount, DOR retained \$28,390,170 (\$2,523,570,648 x 0.01125) for FY16-17.
- An estimated growth rate in collections of 3.92 percent in FY17-18 and 3.45 percent in FY18-19 and subsequent years.
- Total local option sales tax collections are estimated to be:
 - \$2,622,494,617 (\$2,523,570,648 x 1.0392) in FY17-18;
 - \$2,712,970,682 (\$2,622,494,617 x 1.0345) in FY18-19;
 - \$2,806,568,171 (\$2,712,970,682 x 1.0345) in FY19-20;
 - \$2,903,394,773 (\$2,806,568,171 x 1.0345) in FY20-21; and
 - Amounts exceeding \$2,903,394,773 in FY21-22 and subsequent years

- The decrease in state revenue to DOR is estimated to be:
 - \$10,173,640 $[(\$2,712,970,682 \times 0.01125) - (\$2,712,970,682 \times 0.0075)]$ in FY18-19;
 - \$21,049,261 $[(\$2,806,568,171 \times 0.01125) - (\$2,806,568,171 \times 0.00375)]$ in FY19-20;
 - \$32,663,191 $(\$2,903,394,773 \times 0.01125)$ in FY20-21; and
 - Amounts exceeding \$32,663,191 in FY21-22 and subsequent years.
- Decreases in state revenue in any given year represent equivalent increases in local government revenue.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Krista M. Lee, Executive Director

/jdb